



TITLE:

# A STUDY OF THE CHARACTER OF CURRENT CHINESE ECONOMY

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CITATION:

Hozumi, Fumio. A STUDY OF THE CHARACTER OF CURRENT CHINESE ECONOMY. Kyoto University Economic Review 1940, 15(3): 41-66

ISSUE DATE:

1940-07

URL:

[https://doi.org/10.11179/ker1926.15.3\\_41](https://doi.org/10.11179/ker1926.15.3_41)

RIGHT:

# Kyoto University Economic Review

MEMOIRS OF  
THE DEPARTMENT OF ECONOMICS  
IN  
THE IMPERIAL UNIVERSITY OF KYOTO

VOLUME XV

1940

京 都 大 学  
経 済 学 部

20 01239

図 書

PUBLISHED BY THE DEPARTMENT  
OF ECONOMICS IN  
THE IMPERIAL UNIVERSITY OF KYOTO

# A STUDY OF THE CHARACTER OF CURRENT CHINESE ECONOMY

By FUMIO HOZUMI

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## PREFACE

The object of the present article is to study the character of Chinese economy in its current form.

Current Chinese economy is usually described as semi-feudal and semi-colonial, but apparently little attempt has so far been made to define these two terms.

Nor is it accurate to assume that those who employ the terms "semi-feudal" and "semi-colonial" hold precisely identical views. On the contrary it is even possible that the group which applies to Chinese economy the terms "semi-feudal" and "semi-colonial" and certain other groups which apparently think otherwise are, in reality, in fundamental accord.

Consequently it would simply be begging the question to contend that Chinese economy is either semi-feudal and semi-colonial or not without first defining clearly what is meant by these terms. Such an argument is likely to lead nowhere.

In order to establish the contention that the character of present-day Chinese economy is either semi-feudal or semi-colonial, it will be necessary, to begin with, to define the meaning of the terms "semi-feudal" and "semi-colonial"; then to show that current Chinese economy comprises many of the factors thus defined, and lastly to prove that these semi-feudal or semi-colonial elements actually characterize present-day Chinese economy.

This I shall try to do in the following chapters.

## CHAPTER 1. "SEMI-FEUDALISM"

It is often contended that present-day Chinese economy is semi-feudal in character but in order to prove this, the meaning of the term "semi-feudal" must first be made clear. What does the qualification "semi-feudal" actually imply? In a sense the term speaks for itself. "Semi-feudal" suggests a partially feudal type of economy. But if the full significance of the term "semi-feudal" is to be grasped, the meaning of the second component must be made clear.

What is to be understood by feudalism, in this connection?

Feudalism is, of course, variously defined, but as space does not permit a comparative study of all these definitions, I shall proceed immediately to set forth my own interpretation of feudalism, in so far as it may be said to bear on our problem.

In my opinion, feudalism was not a system set up artificially or by design, but one which grew spontaneously. Alike in both hemispheres, it has formed one stage in social evolution, namely, the period of transition from a simple kinship to the more ordinary current forms of society. It came into being whenever a number of lordships were created under one ruler. Whenever, one powerful man rises to position of great influence, his immediate retainers also become influential, and such leaders tend to grant their followers the right to the use of land in return for their service. This leads to the creation of a group of lords under one ruler. The essential character of feudalism is thus apparent wherever the ruler assigns lands (fiefs) to his subjects and the latter vow allegiance to him in return. Genetically speaking, the ruler's grant of lands takes two different forms. In one case, the ruler confers lands on his subjects directly, while, in the other, landowners offer their lands to the ruler in the first instance, such lands then being technically restored to them by the ruler, who assures the owners of his protection in return for their avowal of subordination

and allegiance. Viewed as a system, it may be said that feudalism has developed wherever the ruler distributes his land among his vassals, who then, on their part, vow allegiance to him.

Land however is of no value in itself. It is of value because it is made productive through development and utilization. The word "land", as it is used here, must, therefore, be taken to imply also the people who develop and utilize it. Accordingly, the authority of feudal lords over their fiefs naturally extends to the inhabitants of these areas. Needless to say, of all these inhabitants, the farmers—who develop and utilize land so as to make it productive—are of special importance. Farmers, therefore, were permanently settled on their lands while their masters changed with each transfer of ownership. If they deserted their farms, the masters was entitled to capture them and bring them back forcibly. Such being the case, it is easy to understand why feudalism should come into being in an age of agricultural economy, condemning farmers to serfdom, notwithstanding the fact that they were valued above merchants and artisans; and conversely we see why merchants and artisans were accorded the privilege of enjoying the comparative freedom of urban life, despite the fact that they were held to be of less importance than the agricultural community.

In the next place, feudal lords could distribute their feuds among their vassals, while these vassals could in turn allot their lands to their immediate followers. There were cases where, instead of assigning lands, they granted their followers the produce of land—for example, *roku* (feudal benefice), as they were called in Japan—in an amount equivalent in value to the areas of land to which the retainer was entitled. The relationship between these lords and their vassals was identical to that subsisting between the ruler and his feudal lords. The authority which these followers exercised over their lands was also analogous to that exercised by feudal lords over their fiefs. Although

the vassals of feudal lords were not without their duties to the ruler, in such circumstances they were apt to neglect them altogether in their devotion to their respective lords. This circumstance led to the creation of various spheres of influence in the provinces under different lords, and also a rise to an element of exclusionism in their rule.

When the constitution of feudalism is viewed in the above light, one cannot but admit that feudalism is based on the very rational principle of give and take, or, in other words, the principle of exchange. Dr. Katsuo Hara virtually admits this fact when he says that feudalism has its origin in private law.<sup>1)</sup> H. G. Wells also shows himself alive to this fact when he says: "The feudal state was one in which, it has been said, private law had usurped the place of public law. But rather is it truer that public law had failed and vanished and private law had come in to fill the vacuum."<sup>2)</sup> So far as this phase of feudalism is concerned, there is nothing which distinguishes from the principle of capitalism.

However, when once the feudal system has been set up, the question of its maintenance and development arises. As already pointed out, feudalism depends primarily on the products of land, and the productivity of land depends on development and utilization. Furthermore, in order to secure proper development and utilization, it is desirable that there should be no change in the surrounding circumstances. This will easily be understood if one studies the process of transition from the old system of re-allocating the land held under joint ownership at frequent intervals to that of pure private landownership. Nor can it be denied that it is preferable that the relationship of master and servitor, created between the ruler or the feudal lord and his followers, through the grant of lands by the former in return for the latter's vow of allegiance, should last for some generations instead of for

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1) The Outline of the History of the Middle Age of the West, by Dr. Katsuo Hara. p. 116.

2) The Outline of History, by H. G. Wells, 5th ed. p. 635.

one generation only. In other words, a hereditary relationship is preferable to a non-hereditary one. The system of transmission by heredity gradually emerges in consequence. Under this system, the social status of individuals is rigidly fixed and class distinctions become firmly established. As a result, with the lapse of time, the factors responsible for the birth of the feudal system grow indistinct the concrete features evolved by the system alone presenting themselves with vividness. That is to say, the private law principle of give and take tends to attract less and less attention, while the sense of loyalty and obedience born of the relationship of master and servitor becomes ever stronger.

Thus, it seems, that we are entitled to claim that heredity within the class, obedience to those in command, serfdom, the rival existence of feudal lords within their respective spheres of influence characterized by elements of exclusionism, sometimes referred to as an "irrationality", are all prominent traits peculiar to feudalism.

This is my view of the nature and development of feudalism. What, then, is the nature of the "semi-feudal" that may be derived from it?

Human society, like a flowing stream, never ceases to advance. Any particular period in the history of any community, necessarily, constitutes a period of transition from the past to the future, so that it contains within it traces of the previous ages and embryonic features of the age to come. It is, therefore, simply by reason of dominant phases that one particular age is called feudal or constitutional.

When an age is referred to as "feudal", therefore, it does not mean, that society is feudally constituted in every respect; it simply means that characteristic feudal phases, such as have been described, are dominant in it. Capitalism is already germinating in the feudal society, while a capitalistic society itself retains remnants of that feudal system which formerly held the field. A society may therefore be referred to as "feudal" while feudalism continues dominant in it, and it may be said to have been converted into a

capitalistic society as soon as capitalism has supplanted feudalism as the dominant factor. Although one age may be called "feudal" and another age "capitalistic", the difference between them lies only in the number or amount of the feudal or capitalistic elements which they are found to contain.

In this sense, all modern civilized countries may be said to have passed through a transition from a feudal to a capitalistic form of society.

Now, as regards present-day China, although it has undergone superficial modernization, its inner conditions are still such that it is difficult to determine which of the two elements—the feudal or the capitalistic—is dominant. Judged by the standards of feudalism, it contains capitalistic elements to such an extent that it cannot properly be called a feudal country, while, if judged by the standard of capitalism, it has so much of feudalism in its composition that it cannot be classed among the ordinary capitalistic countries. It is for this reason that China is said to be "semi-capitalistic" as well as "semi-feudal" in character.

All civilized countries to-day may be regarded as capitalistic. Perhaps it would be more correct to say that all countries which have attained the stage of capitalism have *ipso facto* become civilized countries. It may at least be claimed that in such civilized countries feudalism is really a thing of the past. Such being the case, it is only natural and proper that all aspects of society should be viewed nowadays from the capitalistic angle. My contention is that if conditions in China are viewed from this standpoint, it will be seen that they are semi-feudal.

Proceeding to details, we may now enquire in what respects Chinese economy remains semi-feudal. For convenience' sake, I shall consider first of all the question of agriculture, after which I shall discuss commerce and industry in the light of the foregoing definition.

What strikes one most forcibly in connection with



Chinese agriculture is the multitude of petty farmers. Furthermore, this striking phenomenon tends to grow even more pronounced. The fact that individual farmers have exceedingly small plots of land to cultivate means that their livelihood has a very feeble basis and that they are continually in straightened circumstances<sup>3)</sup>. It is only natural that farmers should wish to increase the area of their cultivation. Therefore the fact that there are numerous petty farmers and that there is even a tendency for the number of such peasants to increase shows that in China the farming population is disproportionately large in view of the arable land available, or, to put it in a different way, the ratio of arable land to the farming population is too small. When the number of potential tillers is too great for the areas of land available for cultivation, the position of the actual tillers—tenant farmers—as contrasted with that of the owners of arable land—landowners—must needs be weak, with the natural result that landowners are able to exert undue influence. The relation of the tenant farmers to their landowners will then perforce assume the aspect of subordination. Excessively high farm-rents, gifts of various kinds which tenant farmers frequently make to their landowners and the labour service which they give gratis to their landowners from time to time are side-lights on this relationship.

In China, 80 per cent. of farm-rents are paid in kind and these rents represent, generally speaking, from 50 to 60 per cent. of the total harvest. These rates, already high enough, manifest a tendency to go even higher.

It is true that farm-rents are sometimes paid in money but it should be noted that where landowners prefer money payments, they are very often prompted by the desire to shift to their tenant farmers losses resulting from a fall in

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3) As regards the smallness of individual farms it should be pointed out that conditions in Japan are more severe than in China. At the same time one must take into consideration the fact that productive power per acre in Japan is greater than in China.

the price of agricultural products.

Besides paying their regular farm-rents, tenant farmers frequently make presents of fruit, pigs, etc. of their own raising to their landowners, as they fear that they may otherwise run the risk of losing their tenant-rights. Furthermore, they even offer their labour to aid in the domestic activities of their landowners in order to curry favour. All this servility on the part of Chinese tenant farmers reminds one strongly of the condition of the unfortunate serfs under the feudal system. This serfdom of Chinese farmers is one illustration of the feudal aspect of society in China.

The serfdom of Chinese farmers is noteworthy not only in the above-mentioned relationship between landowner and tenant farmer but in the form of high taxation, which the State imposes on agriculturalists. They are so heavily taxed that their lot is little better than that of serfs under the feudal system.

I quote from the Chinese Economic Annual Report in this connection :

" Although it is difficult to assess accurately the burden of taxation on the farming population, the land tax in the taxable areas exceeds 5 per cent. of the land value and shows every indication of increasing without limit beyond 5 per cent. of the income from agricultural products. This is due to the fact that whereas the areas for taxation registered and the tax rates fixed under the tax system of the old Ching 清 dynasty are still adopted, individual provinces have been allowed to increase the local tax revenue arbitrarily, not by the adjustment of land, but by the temporizing device of altering the exchange rates of tael for the unit quantity, laid down in tax rules, or of increasing the additional land tax. At Chinghaihsien 靜海縣 in Hopeh 河北 province, the classes of land for taxation total 39, while there are 36 different taxes, while at Tinghsien 定縣 there are five classes of taxable land with some 150 taxes."

" The land surtax is the most exacting of all imposts. Whereas the principal land tax is rigidly fixed both in

regard to objects for taxation and as to tax rates, the rates of the land surtax are subject to changes every year. At Taihsien 泰縣, Chiangsu 江蘇, 29 items of land surtax were imposed in 1933, at Chiangtu 江都 26 items, at Hsüshui 徐水, Hopeh 河北, 21 items and at Suihsien 隋縣, Hupeh 湖北, 20 items in 1930. At Haimen 海門, Chiangsu 江蘇, this surtax was almost 18 times as heavy as the principal land tax, while at Juanchiang 阮江, Hunan 湖南, it was 12 times as heavy and Jzuli 慈利 10 times as heavy. These are, of course, exceptional cases, but the fact remains that the land surtax has been steadily on the increase in recent years as regards the items of taxation and tax rates."<sup>4)</sup>

What is most extraordinary is the advance collection of the land tax. We find the most notable example of this in Szechuan 四川 province, where the taxes falling due thirty years hence have already been collected.

Defaults in the payment of the land tax are punishable with fines, detention or the confiscation of property. Worse still, the method of collecting taxes is so loose that no small proportion of the taxes collected from farmers finds its way into the pockets of dishonest individuals before it can reach the Government coffers. This malpractice tends to increase the burdens of the farmers and to add to the wretchedness of their position. Even more anomalous is the fact that the contract system of collecting taxes still persists in China. It may be argued that the land tax is levied on landowners, not on tenant farmers. Legally and formally this may be the case, but in practice the landowners manage to shift their burden to the shoulders of tenant farmers. Moreover, there is almost no limit to the taxation that may be imposed on the farmers. As the major part of special expenditure, not appropriated in the Budget, is met by levies on the farm community, farmers are very often at a loss to know how much they will be called upon to pay during the fiscal year.

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4) The Chinese Economic Annual Report, 1937 ed., published by the Kaizo Office. On the agrarian problem, by Mr. Motonosuke Amano.

Should hostilities break out, for instance, the cost of war largely falls on the unfortunate farmers.

This heavy burden of taxation imposed on Chinese farmers reminds one forcibly of the extortions, to which serfs were subjected in feudal times. This similarity of conditions between present-day Chinese farmers and serfs under the feudal system confirms the feudal character of Chinese agriculture.

Where farmers are subjected to such extortions, there is necessarily a dearth of capital, and where there is a scarcity of capital, there can be no room for technical improvement. Chinese agriculture is thus still almost as undeveloped as it was in feudal days, when viewed from the technical standpoint. Furthermore it is no exaggeration to say that it remains to this day practically defenceless against natural calamities. Owing to this lack of such defence, agricultural crops suffer heavy damage every year, with the result that the future of Chinese agriculture is regarded with the utmost pessimism.

Chinese economy, today naturally, forms one link in the chain of world economy. But while world economy has, generally speaking, reached the stage of capitalism, the life which Chinese farmers are actually leading, if closely studied, is found to be arctic in the extreme. As in feudal days, Chinese agricultural life is perforce still based on self-sufficiency—though with a very meagre margin—for lack of purchasing power. Such being the case, Chinese farmers are still obsessed by feudal ideas, as may easily be imagined.

Needless to say, the conditions I have so far described do not apply equally to all parts of Chinese agriculture, but present-day Chinese agriculture in many districts is in the state depicted. It appears that agriculture in the hinterland of China in particular is in this state. The fact that Chinese agriculture still retains its feudal characteristics to so large an extent places it in singularly striking contrast when compared with agricultural developments in other civilized countries. Insofar as this phase of the problem is concerned,

it may fairly be said that "semi-feudalism" characterizes present-day Chinese agriculture.

Turning, next, to Chinese commerce and industry, we notice that here again feudal practices are noticeably in evidence.

The feudal character of the present-day Chinese commerce and industry is chiefly manifested in what may be called the Chinese guilds. I do not mean to say, however, that present-day Chinese commerce and industry is pronouncedly feudal in character simply because guilds, which formerly flourished under the feudal system, are still dominant. As I have already explained, all that develops in a feudal society is not necessarily feudal in character. It is quite possible for a feudal society to contain much that is non-feudal in character. As for the guilds, however, they are not only the product of a feudal form of society but are in every way feudal in character. It is for this reason that I say that a feudal character is pronouncedly in evidence in present-day Chinese commerce and industry, for the traditional guilds still hold a prominent position.

Proceeding to details, we may now enquire in what manner Chinese guilds continue to exhibit feudal characteristics, and to estimate their importance in present-day Chinese commerce and industry.

Guilds were originally formed by the populace as a means of self-defence in the period of transition from a primitive "kinship" society to the more ordinary modern type at a time when the bonds of kinship had already dissolved, and the organization of the succeeding form of society had not as yet been firmly forged. The two guiding principles are, accordingly, control and mutual aid. Their characteristic functions are to safeguard the interests of their members and to promote their common welfare and prosperity. In Europe, however, guilds prospered most generally when established as militant organizations, through which the townspeople sought to achieve self-government in opposi-

tion to the feudal lords who brought severe pressure to bear upon them. They were originally composed of the general body of citizens, and the assembly of their members which controlled their activities corresponded in nature to a citizens' general meeting. Although, by their very nature, guilds would seem to be very democratic, actually they gradually develop into an oligarchy of the more influential members. These influential members were invariably men of great wealth, and as, in the old days, wealth was chiefly possessed by active traders, guilds became monopolized by the merchant class. These merchants guilds gradually developed the character and machinery of a class despotism, through which rich merchants monopolized the various interests at the expense of the craftsmen, whom they held in subjection through their money power. Guilds were thus an embodiment of feudalism in that they were associations of town magnates who lorded it over the humbler members much as the feudal nobles lorded it over their serfs.

As regards the habits of the craftsmen in urban districts, what with the technical requirements of their trades and consideration for the convenience of their customers, those of the same trades soon formed exclusive communities often in one and the same streets. Street names such as Kajiya-cho (Blacksmiths' Street), Daiku-cho (Carpenters' Street), Zaimoku-cho (Timber Merchants' Street), etc., which we come across in some old cities and towns today are reminiscent of these earlier days. When craftsmen of the same trades live in groups and in constant contact with one another, there arises a community of interest among them, and they learn to act in concert in protecting their common livelihood. When financial pressure is brought to bear on them by the merchants guilds, these craftsmen proceed to organize themselves to protect their own interests. This communal action results in the formation of craft guilds. These guilds exercise control besides fostering mutual aid among their members. Control begets a monopoly of interests by the organized craftsmen to the disadvantage of those in the same

city who do not belong to the guilds. In order to become good craftsmen, they must first serve an apprenticeship. They then become journeyman, and finally master, of recognized skill. Here, again, we see in operation a certain tendency to exclusivism, class distinction and the relationship of master and servitor. That this relationship is feudal in character must be clear from what I have already said.

Thus, we see that guilds manifest themselves most markedly in the sphere of commerce and industry and that the merchant and craft guilds are strikingly feudal in character. Accordingly, it may fairly be claimed that a commerce and industry in which guilds are dominant is feudal in character.

Opinion is divided as to whether there really are guilds in China, in the strict sense of the term, but I maintain that the "fellow-provincials'" associations and the "fellow-traders'" associations, that is the *hsiangpang* 鄉幫 and *yehpang* 業幫, are really guilds. If it is true that these associations play a dominant part in present-day Chinese commerce and industry, it may be argued that Chinese commerce and industry are actually guild-governed and that are therefore feudal in character.

Is it correct to regard these associations as guilds and do they really playing a very important part in present-day Chinese commerce and industry?

Let us now consider these questions.

In China, the "shê" 社, which correspond to guilds in Western countries, came into being in an age when the new and more enlightened form of society had not yet been firmly established as the alternative to a "kinship" society which had already collapsed. In these uncertain times they served the purpose of safeguarding public welfare. Just as guilds took the form of merchants guilds and craft guilds in Western cities, "fellow-traders'" associations called "hang" 行 or "yehpang" 業幫 and "fellow-provincials'" associations called "pang" 幫 or "k'opang" 客幫 were formed in Chinese cities. This development was presumably hastened because

in cities, which naturally embrace heterogeneous elements from all parts of the country, few traces of the old-time kinship society remained. Moreover, as new-comers often receive unfair treatment at the hands of the native citizens, there existed numerous factors contributory to the formation of such organizations.

It is no wonder that in China, as in other countries, merchants and industrialists of the same trades should band themselves together for the purpose of mutual aid and the promotion of a common prosperity, as they would naturally be desirous of safeguarding their interests and elevating their standards of living. "Hang" 行 or "yehpang" 業幫 were organized with these objects in view. Some of these associations are called "hang" 行 (queues) probably because in old days Chinese merchants and artisans in the same trades when selling their wares in the market, forming themselves into a long line. This old custom seems to have had the same origin as the considerations which induced Western artisans of the same trade to live in the same street.

The maintenance of discipline and control among the members was essential if these associations were to attain the object for which they are formed. The strict observance of the regulations of the associations is therefore enjoined on all members. Entry into these associations is optional, but it would be well-nigh impossible for any-one to carry on his trade in the city of his choice without joining the local association. In this regard, also, these traders' mutual associations are analogous to Western guilds, and their regulations have also much in common with their occidental counterparts. The "hang" 行 or "yehpang" 業幫 and Western guilds are alike in that both are exclusive and monopolistic and that both tend to create their own spheres of influence and exercise negative control. If Western guilds are regarded as feudal in character, Chinese traders' mutual associations must be regarded as feudal in the same sense.

Because China is a vast country, widely different conditions prevail in different districts. Consequently, there exist



numerous heterogeneous communities. Take the case of the spoken language, for instance. So many different dialects are spoken in China that people from different parts of the country find it so difficult to convey their wants to each other in their own language that they sometimes prefer to use English or some other foreign tongue in order to make themselves intelligible to each other. Means of communication, however, have been comparatively well developed from ancient times. There was a relatively smooth movement of products from one district to another, with the result that regional division of labour was achieved at a very early stage. Commercial relationships were thus established between these heterogeneous communities.

Some of the members of one community take the products of their community to some other community and with the money obtained by the sale of these products, purchase and bring back the products of the second community, thereby realizing a double profit. When the merchants of all the different communities exhibit a similar tendency, the members of these heterogeneous communities necessarily enter into most intricate relationships with each other. Native merchants of a city call merchants from other provinces who settle in their own city "k'o shang" 客商 or "chipang" 籍幫, and then proceed to discriminate against them. These settlers therefore organize "fellow-provincials" associations to protect their interests against the oppression of the local merchants, with the ultimate object of advancing their common interests through mutual aid. These associations are "fellow provincials'" associations or the "hsiangpang" 鄉幫 and they are essentially guilds, and as such they are feudal in character.

When a powerful unified State has been established, the basic factors responsible for the formation of guilds must necessarily disappear. In the West, therefore, the establishment of modern centralized States after the collapse of the feudal system led to the decline of the guilds, which were finally swept away by the tide of mercantilism and the In-

dustrial Revolution.

Things are different in China, however. Although some observers maintain that China was steadily being unified under the Nationalist Government, the truth, despite showy appearances, is that there was little real progress. It is true that the legal system was organized on most up-to-date lines, but it was practically inoperative. The official organization was seemingly excellent, but corruption pervaded all ranks of officialdom. Furthermore, as constitutional government had not as yet been introduced, it could hardly be claimed that the country was constitutionally governed. The fact that the Chinese population in the foreign concessions is increasing yearly is proof that the Chinese people cannot safely trust their lives and property to the care of their own Government. Such being the case, it can hardly be said that the guilds have lost their *raison d'être*. It is, therefore, only natural that the guilds should still continue to exist throughout the country. As a matter of fact, they are actually playing a most important part in Chinese commerce and industry, a circumstance which shows that feudal elements hold sway in the economic field of the country.

Thus, we discover a state of semi-feudalism in Chinese commerce and industry as well as in Chinese agriculture. It is for these reasons that I conclude that present-day Chinese economy is essentially semi-feudal in character.

## CHAPTER 2. "SEMI-COLONIALISM"

It is said that present-day Chinese economy is semi-colonial. It is hardly necessary to say that "colonialism" must first be clearly defined in order to understand what is meant by semi-colonialism. What do we understand then by "colonialism"?

When a new community ramifies from an older community and lives in continued subordination to the original community, this new-born community is called a colony, while the original community is called either the fatherland

or the mother country. A colony must be a more or less characteristic ramification of the mother country. It is a colony because it exists in subordination to the mother country; and it ceases to be a colony and attains the status of an independent country the instant this subordination is eliminated. Thus, the United States of America ceased to be a British colony after the War of Independence.

Colonies are formed in various ways. They are sometimes formed by progressive and enterprising people who go abroad in quest of new fields of activity. They are also formed by emigrants from over-populated countries. In some cases, the underlying motive may be the acquisition of areas from which to obtain the supply of certain materials which the mother countries lacks, while in other cases, it is possible that colonies have been established in order to provide new markets to absorb the increased production of the home country.

The movement to acquire colonies in modern times may be summed up, however, as follows:—

When, in the West, various centralized States came to be established, following upon the collapse of the feudal system, these States embarked upon competitive efforts to attain prosperity. The statesmen of the day, who believed that national prosperity sprang from national wealth and strong military organizations and that national wealth was in turn essential to the maintenance of military superiority, strove assiduously to increase the wealth of their countries. In their opinion, the form of wealth which they regarded as the decisive factor in national prosperity and national existence was money or at least the gold and silver bullion of which money was made. They, therefore, concluded that national wealth lay in the accumulation of gold and silver. The easiest and surest way to accumulate the stock of these metals was, of course, to discover gold and silver mines, acquire these mines and work them. Expeditions were therefore sent out in search of such mines. In this way, the movement for the acquisition of colonies was launched

vigorously.

Some countries were lucky enough to have gold and silver mines in their own territories, or to secure regions rich in such mines as their colonies, but all were not so fortunately circumstanced, as such mines are naturally not to be found everywhere. Those countries, which had no access to gold and silver mines were not willing, on that account, to give up their attempts to enrich themselves. Eager to secure gold and silver by whatever means, they conceived the idea of attaining their end through trade. That is to say, they attempted to export as much and import as little as possible so as to replenish the gold and silver resources at home through a favourable balance of trade. This is what is called the trade balance theory. As it was difficult to attain this object if trade was left solely in the hands of traders, Governments stepped in and gave the traders the necessary guidance and supervision. Such official guidance and supervision contributed greatly towards the development of commerce and industry, as can easily be seen from the development which Japanese industry has achieved since the Meiji Restoration. If carried to excess, however, official guidance and supervision grow into official interference and oppression, and this gives rise to what is called the modern mercantile policy. Under this policy, as has already been pointed out, exports are encouraged and imports discouraged so as to ensure the inflow of gold and silver through a favourable balance of trade. To be more exact, it is chiefly in regard to finished goods that this policy is applied. As regards the materials necessary for the manufacture of goods for export, their export must be held in check, while imports of such materials must be encouraged. Concerning foodstuffs, a plentiful supply means cheap prices, and when prices are cheap, the cost of living is low. If the cost of living is low, wages must also be low, and low wages mean that the prices of manufactured goods are maintained at a low level. Since the maintenance of low prices for manufactured goods is essential to success in a

trade war, foodstuffs become as important as raw materials. Thus, the export of raw materials and foodstuffs—which are for the most part agricultural products—must be checked and the import of such materials encouraged.

Conditions are practically the same in all countries. Even such countries as are rich in gold and silver mines pursue a mercantile policy for the more gold and silver they can obtain the better. They are just as eager to gain a dominant position in the world's trade as the other nations. In this way, all countries try to export finished goods—industrial goods—to as great an extent as possible, while endeavouring to import raw materials and foodstuffs—agricultural products—to the limit of their ability. This leads to a conflict of interests and competition ensues.

Colonies are, however, secure from this trade competition. The countries to which these colonies belong may dominate them as they like. Seeing that colonies are, generally speaking, largely agricultural and that their industry is still undeveloped, they are admirably fitted for exploitation under the above-mentioned mercantile policy. So it comes about that these colonies to send foodstuffs and natural resources, which mostly consist of the so-called agricultural products, to their mother countries, the latter sell their industrial goods to them in turn. Needless to say, no community likes to remain forever in the agricultural phase, and so industry gradually develops in the colonies. In that event, a conflict of interests may arise between these colonies and their mother countries. As the colony is really a community ramifying from and subordinate to its mother country, special efforts are naturally made by the mother country to see that the economic relationship described is maintained.

Thus, colonialism may be defined as a mode of living in a certain community maintained for the benefit of another community—a mode of existence which it maintained by purchasing industrial goods from the parent community and by selling agricultural products to it, or, in other words,

a mode of living, according to which the colony becomes a market for the industrial goods of the motherland, while allowing its own resources to be exploited.

Western countries first knocked upon the doors of China when commercial capitalism had reached the active stage, stimulated by a growing tendency on the part of such countries to seek development overseas in pursuit of a mercantile policy. At the beginning, their chief object may have been to obtain rare articles of high value and certain other products from China. In the meantime, what is called the Industrial Revolution took place in the Western countries. As this Industrial Revolution involved, above all else, an enormous expansion of productive power through the use of machinery, it necessarily caused a rapid accumulation of products, which in turn led to the search for new market. China met this requirement excellently. For, as will be admitted at once, a large population, a strong desire on the part of this population for consumption and the fact that the newly discovered community had not as yet gone through the process of the industrial revolution were ideal conditions in the markets sought by industrial capitalism, and China possessed all these conditions.

Under the circumstances industrial goods from Western countries naturally poured into China.

In payment for imported foreign goods, a country must either ship out gold and silver or export its own products. It cannot continue gold and silver shipments interminably, however, as its gold and silver resources would naturally have their limits. On the other hand, as will easily be seen from what I have already said, the goods to be exported must perforce be either agricultural products or raw materials. In effect, this means sending agricultural products and raw materials to foreign countries and buying these back in the form of finished goods. In other words, this is tantamount to selling things cheap and buying them dear. It is no wonder, in such circumstances, that an agricultural country should gradually develop an industry of its own. In this

way, any country may pass from an agricultural age to an industrial age. During this period of transition, backward industrial countries must put up customs barriers to protect their industries from the onslaught of advanced foreign industrialism.

As history shows, China achieved cultural development at a very early stage, and the fact that she had become civilized earlier than other countries engendered in Chinese minds a sense of self-importance. This mental attitude caused them to look down upon all others as barbarians. Self-conceit became so ingrained in the Chinese people that they grew conservative in all their ways. They were too proud to appreciate the merits of others and profit by them. Moreover, the idea of valuing things spiritual and despising things material obsessed the Chinese mind, to such an extent that men of high social standing thought it beneath their dignity to engage in industrial enterprises. Presumably, due to the fact that few men of talent cared to enter the industrial world, the process of industrialization evinced a very slow progress in China. As regards the protective customs duties, to which backward nations usually resort in order to defend domestic industries, it was China's misfortune that she had to fix them at 5 per cent. *ad valorem* in consequence of the Nanking Treaty of 1842, which she concluded under duress with a foreign country. Thus for a long time she was unable to achieve industrialization, and consequently she was condemned to a "colonial" existence, though she was not actually a colony herself, in all her relations with the advanced Western countries. It is true that China recovered tariff autonomy some years ago, but she is still unable to shake off the yoke of "colonialism".

In the meantime, industrial enterprises continued to expand in the more advanced countries, and as the demand for large funds increased, industry passed under the sway of the suppliers of large scale industrial capital and the era of financial capitalism was ushered in. These financial capitalists were forced to secure profits through the skilful

manipulation of their funds, and to this end they cast about for suitable objects in which to invest. Thus, China was exploited not only as an excellent market for industrial goods but as a fruitful field for investment. This, again, contributed to the "colonialism" of China. I made no reference to this phase in my previous discussion of "colonialism," because the colonies of the world were mostly created either in the age of commercial capitalism or during the initial stages of the age of industrial capitalism. The character, status, etc. of such colonies are usually discussed and defined in the light of the local conditions which came into existence in those days. When, however, one stops to consider how colonies will fare in the age of financial capitalism, it is easy to see that they will function as fruitful fields for investments.

That China is a field for competitive investments on the part of the Powers is in itself an indication of the "colonialism" of the country.

Let us enquire as to the form assumed by this race for investments.

Competition begins in the monopolistic exploitation of natural resources. The exploitation of resources is one notable manifestation of "colonialism", noticeable already in the age of industrial capitalism, for capital must be invested in order to develop the natural resources.

Capital is, of course, invested not only in the development of natural resources but in industrial enterprises and in the control of the means of communication.

Factories were established in China with foreign capital in order to utilize cheap Chinese labour, to effect economies in the cost of transporting raw materials or finished goods or both and to alleviate the burden of customs duties, so as to realize much higher rates of profit than were possible at home. A typical example is afforded by the foreign cotton mills in China. Although these mills were established almost exclusively in the costal districts—within the foreign concessions to be exact—they are much more effective than the



native factories, as they are equipped with up-to-date machinery.

As regards to control of the means of communication, railways naturally receive first attention. They are laid primarily with the object of facilitating the development of resources in the hinterland. Next, loan contracts for the supply of railway material are concluded by the Powers, with the maintenance and development of heavy industries in their own countries chiefly in view. Finally, railway loans are advanced, as railways are regarded as good objects for investment. There are, indeed, few Chinese railways in which foreign capital is not sunk in some form or other. I do not mean to say that each investment has a separate object; it often happens that one investment exhibits a combination of the above-mentioned considerations. For instance, the railway laid with a loan advanced by some country for the purpose of investment may also serve to maintain the heavy industry of the creditor country or to advance the development of natural resources in the hinterland. As a matter of fact, these objects are often combined.

Next, as to shipping, China has practically no ocean-going ships. Even in regard to steamers engaged in coastal and river navigation, 64 per cent. of the total is foreign, only 35 per cent. being Chinese.

Lastly, as regards air transport, which is of recent growth in China; the China National Aviation Corporation is under Sino-American joint management, while a German company is interested in the Eurasia Aviation Corporation.

In order to make profit out of investments in China, however, the investing Powers must see that the Chinese authorities do their bidding. They try to achieve this object by peaceful negotiations but if they find the Chinese authorities recalcitrant, they have no scruples about using armed force. If the use of force becomes impossible because of the restraints which these Powers exert on one another, they undertake to win the good graces of the Chinese rulers. This ends by attempts being made to place in power such

Chinese statesmen as suit their own convenience.

Investments thus made stand in need of protection. To this end, concessions are created and garrisons are stationed. Ultimately, however, the Powers have found that they must rely on the Chinese authorities for the protection of their interests. Each Power is therefore desirous of having at the head of the Chinese Government a statesman friendly to itself. In consequence of rival efforts on the part of the Powers to get Chinese statesmen who will serve their interest into power, efforts which have been put forth vigorously since the downfall of the Ching dynasty, China has been subject to a series of civil disturbances. In such circumstances, there has been no diminution of the need for stationing foreign garrisons, while the foreign concessions themselves have expanded. These phenomena may well be looked upon as by-products of "colonialism" in present-day Chinese economy.

It will thus be seen that China is, for the Powers, at once a good market for their industrial goods and a good supplier of agricultural products and raw materials. Her natural resources are almost entirely reserved for exploitation by foreigners. China is an excellent area for rival foreign investments. Thus, it may fairly be said that China exhibits "colonialism" to a marked degree. It is merely due to the attempt to maintain the balance of power among the great Powers that she has hitherto escaped the fate of ruin through partition and that she has been able to maintain her independence. She is not a colony, pure and simple, because she does not exist in subjection to any country. So I maintain that "semi-colonialism", rather than "colonialism", characterizes present-day Chinese economy.

## CONCLUSION

As I have pointed out, semi-feudal and semi-colonial characteristics are discoverable in present-day Chinese economy. As to how and in what form China's semi-feudal

and semi-colonial characteristics manifest themselves, I have already offered my opinions.

In what relationship, then, do these two factors, so characteristic of present-day Chinese economy, stand to each other?

As I have already stated, it is when Chinese economy is judged by the standards of the economies of modern civilized countries where capitalism flourishes and independence is but slightly involved that it deserves to be called "semi-feudal" or "semi-colonial". We may then inquire what relations these "semi-feudal" and "semi-colonial" features bear to the corollary characteristics of "semi-capitalism" and "semi-independence."

When I study these problems, the following series of consequences suggests itself to my mind.

As I have already stated, because China became civilized very early, her people acquired the habit of regarding other peoples as barbarians, and this sense of superiority engendered a conservative frame of mind. Self-conceited as they were they fell into a long slumber of inactivity, from which they were aroused by the active, progressive and enterprising Western capitalistic countries and were brought into contact with modern capitalism. The old forces were nevertheless so firmly established that conditions in the country took on the aspect of semi-feudalism. On the other hand, Western capitalism which invaded China exerted an influence in the direction of establishing a species of colonial control over the country. Partly because she was such an extensive Empire, though somewhat dilapidated, and partly due to the fact that the Powers exerted a restraining influence on one another, she was able to preserve her independence; a circumstance which was responsible for bringing about the semi-colonial condition described. Again, in order to promote the "colonialization" of the country, Western capitalism encroached on the traditional system, on the one hand, while befriending certain old Chinese elements, on the other, in order to safeguard its rights and interests. Thus, it played

the rôle of the defender of the old Chinese system also, and "semi-feudal" and "semi-colonial" characteristics were welded together, to the hindrance of the development of "semi-independence" and "semi-capitalism" into the normal modern state of independence and capitalism. With these facts before us, we can understand the contention that the abolition of unequal treaties and the consummation of capitalism are essential to China's future progress.